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What could Entrepreneurship do for Sustainable Development?

A Corporate Social Responsibility-Based Approach

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Abstract

Entrepreneurship is seen as an alternative to unemployment and poverty which could be the panacea for development (Bogan & Darity, 2008). Today, there is a growing perception among entrepreneurs that success cannot be achieved solely through maximizing short-term profits and the growing importance of corporate social responsibility (CSR) on business success and positive impact on society is accepted (İyigün, 2013). Entrepreneurship and small businesses are the basics of economy, responsible for breakthrough innovations that influence the growth of free market economy and its general performance.

This study aims to serve as an impetus for multidisciplinary research and further discussion on the entrepreneurial implications of CSR for sustainable development. Observing the positive social impact of entrepreneurs catering to basic needs, this study recognizes the important role in efficiently contributing to the achievement of sustainable development. Moreover, possible reasons of why entrepreneurs should be involved in sustainable development to reveal the motivations for sustainable development and underlying dimensions in decision making will be discussed. The study will provide a unique contribution to the literature as an example from a CSR-based perspective for the related field.

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1. Introduction

CSR is becoming an ever more important field for business. Today's entrepreneurs ought to invest in CSR as part of their business strategy to become more competitive. Corporate success depends on the local environment including an appropriate infrastructure, the right types and quality of education to future employees, co-operation with local suppliers, quality of institutions and local legislation. In this corporate competitive context, the entrepreneurs' social initiatives can have great impact not only for themselves but also for the local society in terms of sustainable development (Porter, 2003).

Development can be defined as eliminating poverty, unemployment and inequality. Sustainability is associated with satisfying a national economy's needs for natural resources without compromising generations (Luke, 2013). Sustainable development is defined as "the development that meets the needs of present without comprising the ability of future generations to meet their own needs" (UN Brundtland Report, 1987). Governments and the agencies grouped under the umbrella of the United Nations (UN), World Trade Organization (WTO), International Monetary Fund (IMF) and World Bank (WB) have failed in their attempts to get rid of under-development. Large companies with their power and economic strength have taken a dominant position in societies to take much more responsibility for development (Hopkins, 2007). At this point, it could be put forward that large companies could be the initial point if there is a tendency for getting involved in development which could inspire entrepreneurs and small and medium sized enterprises (SMEs).

This study aims to serve as an impetus for multidisciplinary research and further discussion on the entrepreneurial implications of CSR for sustainable development. Moreover, possible reasons of why entrepreneurs should be involved in sustainable development to reveal the motivations for sustainable development and underlying dimensions in decision making will be discussed. The study will provide a unique contribution to the literature as an example from a CSR-based perspective for the related field.

2. Literature Review

2.1 Entrepreneurship

Nowadays, entrepreneurship and small businesses are the basics of economy, responsible for breakthrough innovations that influence the growth of free market economy and its general performance (İyigün & Keskin, 2015). Initially entrepreneurship was detected as establishing a business with people using their own capital. Entrepreneurs with their pivotal role have been known to exist for a long time, but the study of entrepreneurship in the contemporary sense started with Schumpeter's definition of entrepreneurs as "innovators, who use a process of shattering the status quo of the existing products and services to set up new products, new services" (Şahin & Asunakutlu, 2014; Sharma et al., 2013).

With this perspective entrepreneurship could be defined as the creation of new enterprising activities such as innovation, new venture and strategic renewal leading to social and economic performance within companies (Habbershon et al., 2010; Rocha, 2004). Entrepreneurs also construct new rules by delivering new products, establishing more efficient and effective processes, innovating in ways that lead to the development of new markets, and shaping new norms and beliefs (Chiasson & Saunders, 2005). Entrepreneurship is the main factor for economic growth, management process which is based on innovation and which requires remaining competitive on the market after technological revolution, it is to a great extent based on technologies driven by already developed production information and knowledge (Casson, 1995). Entrepreneur is the one who exploits that opportunity brought by change and not the one who causes the change. Entrepreneurial opportunity can be found in person's network and as a result, a network rich in entrepreneurial opportunities surrounds a person motivated to be an entrepreneur (Dorin & Alexandru, 2014). Entrepreneurship involves three main elements such as opportunities, enterprising individuals and resourcefulness. In other words entrepreneurship as a field includes the scholarly examination of how, by whom and

with what effects opportunities to create future goods and services are to be discovered, evaluated and exploited (Seelos & Mair, 2004).

2.2 Sustainable Development

Sustainability is related about how individuals should act towards nature and how they are responsible for the other and the future. The vision of sustainability aims at “justice” in the domain of individual-nature-relationships and in view of the long-term and uncertain future including three specific relationships such as justice between individuals of different generations, justice between different individuals of the present generation and justice between individuals and nature (Baumgartner & Quaas, 2009).

The concept of “sustainability” and “triple bottom line” (Elkington, 1997) has created a platform consisting of business, government and civil society. Triple bottom line as a concept includes three main dimensions which are closely related with each other. Figure 1 shows the sustainability dimensions including economic, environmental and societal as a whole. Economic sustainability is the preliminary step of a company’s survival and sustainability, which is the ability to manage its capital, stock and funds including capital, tangible and intangible assets. Environmental sustainability ensures that companies operate without harming the ecosystem and creating over-dose emission. Societal sustainability implies that companies have to manage their business operations according to the stakeholders’ needs, which should be in accordance with the value system of the company (İyigün, 2015). As is seen from the figure, all the dimensions have a different direction and effect showing the interaction and interdependency among them (Besler, 2009; Elkington, 1997).

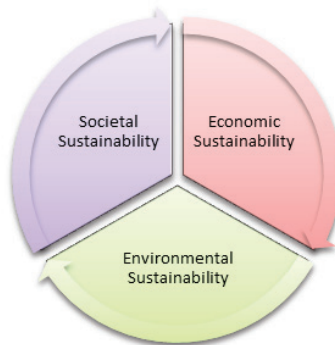


Fig 1. The Dimensions of Sustainability (Besler, 2009)

Sustainable development could be defined as “the development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (UN Brundtland Report, 1987). Brundtland report focuses on social justice and human development within the framework of social equity and the equitable distribution and utilization of resources (Banerjee, 2008). Managing the resources rationally ensures a natural and societal environment for the next generations by conducting an integrative approach with economic, social and environmental politics (İyigün, 2015).

The world is becoming wealthier and intangible business assets and business value can’t be described in economic terms because of the definition paradox. A business model, which has the value creation at the core, will allow concepts of CSR and sustainability because value creation is the primary motivator (Wheeler, Colbert & Freeman, 2003). It is impossible for a company to achieve its sustainable survival without creating value to its employees, shareholders, customers, society and all of its stakeholders because of the new dimensions of competition such as environmental and societal success (İyigün, 2015). Value-based cultures demonstrate integrity, honesty, respect and tolerance while promising transparency and stakeholder engagement (Banerjee, 2008). With

this perspective, a company could not be successful by focusing on only its short-term based economic performance, neglecting environmental and societal performance (Besler, 2009). The overwhelming complexity of sustainable development has increased the goals for companies and entrepreneurs to take on responsibility for social and environmental challenges in a more proactive way and beyond mere legal compliance (Seelos & Mair, 2004).

2.3 Corporate Social Responsibility

The main idea of CSR is that companies have an obligation to work towards meeting the needs of their stakeholders and to be engaged in value creation instead of wealth creation (Jamali & Mirshak, 2006). There are four prevailing justifications for CSR including moral obligation, which argues that companies have a duty to be good citizens, sustainability, which emphasizes environmental and community stewardship, license to operate, which derives from the fact that every company needs tacit or explicit permission from governments, communities and numerous stakeholders to do business and finally reputation, which is used by many companies to improve the image, strengthen the brand and raise the value of stock through CSR initiatives (Porter & Kramer, 2006). Most companies create significant social value in the form of employment, improvement of working conditions, involvement in environmental issues and by paying taxes. Many large companies attempt to create social value through CSR or corporate citizenship programs (Seelos & Mair, 2004).

CSR could be defined as the voluntary commitment of companies to contribute to sustainable economic development by integrating social and environmental concerns into their operations and interactions (Banerjee, 2008). CSR is the commitment undertaken to enhance the social welfare by means of optional business practices and enterprise resources (Kotler & Lee, 2006). It could be summarized as a common theme throughout these definitions is the voluntary and discretionary nature of CSR. (İyigün, 2015).

Unfortunately, it could be stated that all CSR is about brand enhancement and gaining a reputation as a positive citizen to win friends. Corporate leaders feel pressured by activists to take action on various social issues, and by donating money to a social issue it is easier to make friends and positive associations. The “feel-good” of CSR seems to be evidence enough (Porter, 2003).

3. Entrepreneurship for Sustainable Development

Today's world is facing a lot of serious problems such as poverty, climate change, various dangerous diseases like HIV/AIDS. Responses and actions so far taken by the global policy making sector to these sustainability-related problems has been discussed in some world conferences arranged by the UN. The need for global collaboration has emerged from the realization that most problems facing contemporary society are increasingly complex, dynamic, and cross-cutting; hence no amount of research effort within one particular country or discipline or theoretical perspective can be sufficient to produce adequate or durable solutions worldwide (Obamba & Mwema, 2009). The balance between knowledge and other resources has shifted so far towards the former that knowledge has become the most important factor determining the standard of living more than land, than tools, than labor (World Bank, 1999).

Sustainable entrepreneurship (SE) is a concept that combines both sustainability and entrepreneurship, and has been defined as “an innovative, market oriented and personality driven form of value creation by environmentally or socially beneficial innovations and products exceeding the start-up phase of a company” (Schaltegger and Wagner, 2007). SE is closer to the strategic dimension of CSR than the pure ethical or altruistic vision of responsibility consisting of the ability to demonstrate responsible creativity while achieving viable, livable, and equitable development through the integration and management of natural and human resources in business (Spence et al., 2011). Sustainopreneurship could be defined as the use of business organizing to solve problems related to social and environmental sustainability. It is a “business with a cause” - where world problems are turned into business

opportunities by deployment of sustainability innovations. In other words the concept of sustainopreneurship could be described as entrepreneurship and innovation for sustainability. Triple bottom line as a concept was developed by an emerging sustainable business community who took a more holistic approach to the innovation and entrepreneurship paradigm, aligning a vocabulary from the research community. The process of conceptual extension and development moves through a merger of ecological and social “preneurship” towards sustainability entrepreneurship and sustainopreneurship (Abrahamsson, 2007).

In this context, SMEs' involvement in sustainable development can be considered as an entrepreneurial act. The sustainability market is in its development phase in industrialized nations and still quasi-non-existent in developing countries. This market presents not only uncertainties but also opportunities to those who can recognize them. Moreover, several studies demonstrate that adopting sustainable strategies and integrating them at the core of the strategic activities creates value for stakeholders and preserves wealth for future generations (Spence et al., 2011).

4. Conclusion

Many researchers agree that entrepreneurs have contributed significantly to the world's society, economy as well as human kind through job creation, utilization of business opportunities and product innovation (Majid & Koe, 2012). The rise of awareness for sustainable development is due to concerns about environmental risks, which has prompted popular demand for corrective and preventive action. Environmental discontinuities such as pollution, land degradation and climate change are examples of effects from entrepreneurial activities in the society (Chick, 2009). As a consequence, the scope of a business is urged to span further than mere financial performance as ethically and socially aware behavior is not only socially desirable, but also a normal and acceptable (even expected) element of business life (Spence et al., 2011).

Sustainable entrepreneurs should have a clear vision of their companies' direction that includes sustainable development. Sustainable entrepreneurs focus on a business idea that balances the social, economic, and environmental impacts of their activities by engaging their companies strategically in sustainable practices in the search for competitiveness and efficiency in the three areas of sustainability (Perrini et al., 2007; Egri & Herman, 2000). Sustainable entrepreneurship is, however, a risk taking endeavor since most integrated sustainable activities have a long-term scope and return on investments may take some time. Sustainable entrepreneurs should show a high entrepreneurial orientation with the support of the SME's internal culture and routines at the organizational level of analysis (Spence et al., 2011). Sustainable entrepreneurship requires a holistically and equally contributions to economic, social and environmental sustainability.

Sustainable entrepreneurs can act as the catalysts for transitioning from current economy to a sustainable economy and fill the gaps left by businesses and governmental agencies in providing critical social and environmental goods and services by evolving from focusing on only one sub-area of sustainability and starting to include all. Moreover, triple bottom line serves as a useful tool to be used by companies, non-profit organizations and government agencies to measure sustainability performance under the headings of environmental quality, social justice and economic prosperity (Majid & Koe, 2012). Sustainopreneurship as a concept is mission and cause oriented which implies motives and goals beyond, or rather aside “just making profit”. Business activities are utilized to solve problems, and profit making becomes a means, not an end in itself with the business created. Sustainable entrepreneurship has an awareness of the sustainability aspects of its operation, its impact from process and result (Abrahamsson, 2007). In other words, it is in the land in between for-profit and not-for-profit, in between cash and cause. The main goal of the business activity of the sustainable entrepreneurs should be “looking for prosperity”.

This study broadens the understanding of the concept of sustainable entrepreneurship and contributes to identifying that beyond entrepreneurial will, socio-cultural conditions and institutional realities could affect the adoption of sustainable practices in SMEs.

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